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Docket No. E-20690A-09-0346 (Track 2)

CarbonFree

October 12, 2009

Chairman Kristin Mayes
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Arizona Corporation Commission
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Re: In the Matter of the Application of SolarCity for Adjudication Not a Public Service Corporation: Docket No. E-20690A-09-0346 (Track 2)

Dear Chairman Mayes & Commissioners:

CarbonFree Technology Corp. is a solar project developer based in Scottsdale, Arizona. We are submitting this letter in support of the SolarCity Corporation's application for a determination that it is not acting as a public service corporation when providing solar services in Arizona.

CarbonFree Technology served as developer of the first commercial solar projects in Arizona that were funded under the Solar Services Agreement ("SSA") model. These were three solar photovoltaic (PV) installations totaling approximately 1.7 megawatts at ASU (presently the largest non-utility solar portfolio in the state).

In 2008 CarbonFree arranged funding for 13 solar projects totaling more than 6 megawatts with a value in excess of \$43 million. These projects were built in Arizona, California and New Jersey. All of these projects were enabled using the SSA model. This is consistent with a clearly established national trend, in which SSAs have been used as the funding mechanism in over 90% of all commercial solar PV being installed in the U.S. today. SSAs represent a market-driven response to gain access to various types of solar incentives at the federal, state and sometimes even municipal level that are currently required to deliver feasible project economics. The SSA model permits companies who are interested in adopting solar to do so without having to invest the upfront capital required to build a system. Even for companies with available capital to acquire their own solar systems, the complexity of the deal structures and the need to combine various incentive and tax considerations create a barrier to the adoption of solar. Providers of SSA agreements provide the capital and expertise required to take advantage of the solar incentives that were put in place as government policy to encourage the adoption of solar power systems.

6615 N. SCOTTSDALE ROAD, SUITE 116 • SCOTTSDALE, ARIZONA 85250

T (602) 773-1972 • F (480) 247-5097 • www.carbonfreetechnology.com

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CarbonFree is currently developing several projects in Arizona. Whether or not these projects will be financed and placed into service is dependent on the outcome of the ACC's decision on this important issue. These projects involve both public sector, as well as for-profit customers, and the uncertainty regarding the ACC's final decision has caused investors to delay making a commitment to the projects until further clarity is obtained. The average duration of a SSA is 15 – 25 years and the economics of the projects are very tight. As such, owners of solar energy assets carefully assess all risk factors that could affect the system performance as well as the economic performance of the system over the life of the project. The current regulatory uncertainty impacts our ability to conduct business, power users' ability to transition to renewable energy, and Arizona's ability to put people back to work and diversify its economy. Arizona's solar resource uniquely positions us to build a world leading solar industry and we are hopeful that regulatory regime will support the development of this industry.

CarbonFree respectfully requests the ACC to expand the scope of the decision before it in the SolarCity application beyond schools, non-profit organizations and governmental entities to include all potential SSA customers that are in a position to benefit from this proven financing mechanism. The Arizona solar industry is looking for a clear, unambiguous response from the ACC that will enable further investment and growth of the industry.

The growth of solar, both internationally and in the United States, has happened primarily in jurisdictions that have created the regulatory and incentive environments required to make solar projects economically attractive to all players, including power consumers, investor, and project developers. SSA project developers and project investors will view Arizona as a less desirable place than other markets to invest in solar projects if regulatory requirements are placed on SSA companies. We believe that SSAs are precisely the kind of public-private partnership that Arizona and the United States need to boost investor confidence, create jobs and get the economy back on track. SSAs provide crucial impetus to the growth of the solar industry, helping to facilitate the implementation of the Commission's Renewable Energy Standard. In today's credit market, they offer a viable means to bypass the high up-front capital costs of solar.

The prospect that SSA providers would be regulated as public utilities would place Arizona at a competitive disadvantage and it would discourage SSA providers from operating in this state. As a provider of SSAs, CarbonFree Technology strongly encourages you to support the SolarCity Application. Please feel free to contact the undersigned if we can assist in any way or further clarify any of the points raised

Sincerely,

CarbonFree Technology Corp.



Lee Feliciano
Executive Vice President

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cc: Commissioner Gary Pierce
Commissioner Paul Newman
Commissioner Sandra Kennedy
Commissioner Bob Stump
David Oxtoby
Laurence Goldberg
Jason Rowley
Patrick Black
Franc Del Fosse